CANADIAN DATA PRESERVE INC.

Financial Statements

For the Year Ended May 31, 2012 and Period Ended May 31, 2011

See accompanying notes to the audited financial statements

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canadian Data Preserve, Inc.:

We have audited the accompanying financial statements of Canadian Data Preserve, Inc. which comprise the statements of financial position as at May 31, 2012 and 2011, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Data Preserve, Inc. as at May 31, 2012 and 2011, and its operations and cash flows for the periods then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the Company has working capital deficit of $96,035 (2011 - $671), a loss for the year of $595,364 (2011 - $136,788) and a deficit of $732,152 (2011 - $136,788). These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, British Columbia

"Buckley Dodds Parker LLP"

September 10, 2012

CANADIAN DATA PRESERVE INC.

Statement of financial position

May 31, 2012

ASSETS	May 31, 2012	May 31, 2011
CURRENT		
Cash	$ -	$ 8,606
Taxes receivable	5,231	2,126
	5,231	10,732
INVESTMENT *(Note 8)*	-	500,000
	$ 5,231	$ 510,732
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
CURRENT		
Accounts payable and accrued liabilities	$ 25,979	$ 11,403
Due to related parties *(Note 12)*	75,287	-
	101,266	11,403
SHAREHOLDERS' DEFICIENCY		
Share capital *(Note 7)*	275,000	275,000
Contributed surplus	361,117	361,117
Deficit	(732,152)	(136,788)
	(96,035)	499,329
	$ 5,231	$ 510,732

ON BEHALF OF THE BOARD

"Brian Cameron" Director

"Charles Bowen" Director

CANADIAN DATA PRESERVE INC.

Statement of comprehensive loss

May 31, 2012

		Year ending, May 31, 2012	Period ending, May 31, 2011
EXPENSES			
Bad debts	$	**12,000**	-
Bank charges		**290**	120
Consulting fees - *(Note 12)*		**57,000**	67,520
Foreign exchange loss		**29**	2,465
Office		**1,699**	-
Professional fees		**18,121**	43,961
Transfer agent and filing fees		**13,639**	22,723
TOTAL EXPENSES		**102,778**	136,788
OTHER ITEMS			
Impairment of investment - *(Note 8)*		**500,000**	-
Forgiveness of loan		**(7,414)**	-
		492,586	**-**
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	$	**595,364**	136,788
Basic and diluted loss per share	$	**0.04**	0.01
Weighted average number of shares outstanding		**15,638,667**	15,638,667

See accompanying notes to the audited financial statements

CANADIAN DATA PRESERVE INC.

Statement of changes in equity

May 31, 2012

	Number of Shares	Capital Stock	Contributed surplus	Deficit	Total Equity
Issuance of shares in pursuant of plan of arrangement	6,038,667	15,000	-	-	15,000
Common shares issued for:					
Cash - $0.0625	1,600,000	100,000	-	-	100,000
Investment - $0.02	8,000,000	160,000	-	-	160,000
Fair value difference of shares issued as investment	-	-	212,500	-	212,500
Fair value difference of shares issued as services			127,500		127,500
Stock based compensation	-	-	21,117	-	21,117
Net loss for the period	-	-	-	(136,788)	(136,788)
Balance as at March 31, 2011	**15,638,667**	**275,000**	**361,117**	**(136,788)**	**499,329**
Net loss for the year	-	-	-	(595,364)	(595,364)
Balance as at March 31, 2012	**15,638,667**	**275,000**	**361,117**	**(732,152)**	**(96,035)**

CANADIAN DATA PRESERVE INC.

Statement of cash flows

May 31, 2012

		May 31, 2012	May 31, 2011
OPERATING ACTIVITIES			
Net loss for the year	$	**(595,364)**	(136,788)
Items not affecting cash:			
Impairment of investment		**500,000**	21,118
Forgiveness of loan		**(7,414)**	-
Changes in non-cash working capital			
Taxes receivable		**(3,104)**	(2,126)
Due to related parties		**76,747**	-
Payables and accruals		**20,528**	26,402
Cash flow from (used) by operating activities		**(8,606)**	(91,394)
FINANCING ACTIVITIES			
Proceeds from the issuance of shares		**-**	100,000
INCREASE (DECREASE) IN CASH FLOW		**(8,606)**	8,606
CASH - Beginning of year		**8,606**	-
CASH - End of year	$	-	**8,606**
Cash paid for:			
Interest paid	$	**-**	**-**
Income taxes	$	**-**	**-**

1. NATURE OF OPERATION

Canadian Data Preserve, Inc. (the "Company") was incorporated on June 11, 2010. The Company's common shares trade on the Canadian National Stock Exchange (CNSX).

2. BASIS OF PREPARATION AND ABILITY TO CONTINUE AS A GOING CONCERN

These financial statements are prepared under IFRS (International Financial Reporting Standards).

The financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicated.

The financial statements were prepared on a going concern basis, under the historical cost convention. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. The Company has minimal capital resources presently available to meet obligations which normally can be expected to be incurred by similar companies and has a working capital deficit of $96,035 (2011 - $671), a loss for the year of $595,364 (2011 - $136,788) and deficit of $732,152 (2011 - $136,788). Management of the Company does not expect that cash flows for the Company's operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its operations.

3. SIGNIFICANT ACCOUNT JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements is described below:

3. SIGNIFICANT ACCOUNT JUDGMENT, ESTIMATES AND ASSUMPTIONS (continued)

a) Recovery of Deferred Tax Assets

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

b) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

4. SIGNIFICANT ACCOUNTING POLICIES

The preparation of the financial statements in accordance with IAS 34 resulted in no changes to the accounting policies as the Company has followed IFRS from inception. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign Currency Translation

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Cash

Cash includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and subject to an insignificant risk of change value.

c) Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

d) Financial Instruments

Financial assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized a fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial Instruments

Available-for-sale investments

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in accumulated other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment) the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost.

Purchases and sales of available-for-sale financial assets are recognized on a trade date basis. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Impairment on financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if and only if there is objective evidence of impairment as a result of one or more events, that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of trade receivable is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

During the year the Company wrote off the investment in Data Preserve, Inc in the amount of $500,000 as Data Preserve, Inc has filed for bankruptcy.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

d) Financial Instruments

Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within days of recognition.

e) Interest-Bearing Loans and Other Borrowings

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis.

f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

g) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

h) Earnings (Loss) Per Share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings/loss per share does not adjust the loss attributable to common shareholders or the weight average number of common shares outstanding when the effect is anti-dilutive.

i) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties

j) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries, and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

k) Revenue recognition

Contract revenue is recognized when goods are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

5. CAPITAL RISK MANAGEMENT

The Company’s objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises all the components of shareholders’ equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments of high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

6. FINANCIAL INSTRUMENTS AND RISKS

Fair Value

As at May 31, 2012, the Company's financial instruments consisted of cash, and accounts payable. The fair values of cash, and accounts payable approximate their carrying values because of their current nature.

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
Level 3 – Inputs that are not based on observable market date

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	May 31, 2012
Cash	$ -	-	-	$ -
	$ -	-	-	$ -

	Level 1	Level 2	Level 3	May 31, 2011
Cash	$ 8,606	-	-	$ 8,606
	$ 8,606	-	-	$ 8,606

The Company's financial instruments are exposed to a number of risks that are summarized below:

6. FINANCIAL INSTRUMENTS AND RISKS (Continued)

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 5.

There is a risk that the Company may not be able to meet its financial obligation when they are due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.. As at May 31, 2012 the Company has no financial assets that are past due or impaired due to credit risk defaults.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company's has no interest bearing debt. The Company's ability to raise capital to fund operations is subject to risks associated with fluctuations in the market prices. Management closely monitors the stock market to determine the appropriate course of action to be taken by the Company.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar as the Company's head office and operations are in Canada. All of the Company's financial instruments are denominated in Canadian dollars.

In management's opinion there is no significant foreign exchange risk to the Company.

Transaction Costs

Transaction costs attributable to the acquisition or issue of financial assets or financial liabilities, other than those classified as held-for-trading, are added to the initial fair value amount to match the costs with the related transactions. Purchases and sales of securities are accounted for on the settlement date basis.

7. SHARE CAPITAL

a) Common stock

<u>Authorized</u>

Unlimited common shares without par value
Unlimited preferred shares without par value

<u>Issued and Outstanding</u>

During the year ended May 31, 2011, the Company:

i) On November 12, 2010, the Company issued 6,038,667 shares with a value of $15,000 pursuant to a plan of arrangement.

ii) On April 28, 2011, the Company issued 1,600.000 shares at $0.0625 in the amount of $100,000

i) On May 5, 2011, the Company issued 8,000,000 common shares at $0.02 for the purpose of acquiring a 10% interest in a related Company in the amount of $200,000;

8. INVESTMENT

The investment is valued at cost. The amount consists of a 10% share of Data Preserve, Inc (a related company). The Company issued 8,000,000 shares at $0.02. However, the fair value of these shares at the time of issuance was $0.0625. Therefore, the difference was charged to contributed surplus.

During the year the Company wrote off the investment in the amount of $500,000 as Data Preserve, Inc filed for bankruptcy.

9. STOCK OPTIONS

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $	Weighted average remaining contractual life (years)	Aggregate intrinsic value $
Outstanding, June 11, 2010	-	-		
Granted	1,000,000	0.05		
Expired/cancelled	(1,000,000)	0.05		
Outstanding and exercisable, May 31, 2012	-	-	-	-

10. SHARE PURCHASE WARRANTS

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price $
Balance, June 11, 2010	-	-
Issued	3,200,000	0.23
Expired	3,200,000	-
Balance, May 31, 2012	-	-

11. INCOME TAXES

	2012	2011
Statutory tax rate	**34.12%**	34.12%
Net loss before income tax	**(595,364)**	(136,788)
Expected income tax recovery	**(203,138)**	(46,672)
Increase (reduction) in income taxes		-
Non-deductible expenses		-
Net change in valuation allowance	**203,138**	46,672
Total income taxes (recovery)	**$ -**	$ -

11. INCOME TAXES (Continued)

Due to the uncertainty of future taxable income, all future income tax assets have been offset by a full valuation allowance. The Company evaluates its valuation allowance requirements at the period end.

Accumulated losses in the year which can be carried forward for Canadian Tax purposes total $191,237 which will expire in the year 2031 and 2032.

12. RELATED PARTY TRANSACTIONS

The following amounts are due to related parties:

	2012	2011
Due to directors	22,500	-
Due to Advantive Information Management Inc.	52,787	
	75,287	-

During the year ended May 31, 2012, the Company paid consulting fees to its directors and officers totalling $57,000 (2011: $27,902).

13. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The Company’s financial statements for the year-ending May 31, 2012 are the first annual financial statements that were prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. However, the Company was incorporated in November 10, 2010 and applied IFRS from the beginning. Therefore, the Company has not adjusted for any amounts reported previously under a different accounting standard.

14. SUBSEQUENT EVENT

On August 8, 2012, shareholders of the Company approved a 20:1 consolidation of its capital that will result in there being issued a total of 781,933 common shares of the Company. At the same meeting, shareholders approved a change of name for the Company to 49 Capital Corporation. This signifies a change in business to that of an Investment Company.